

# How to write a Business Plan

## The basics

Before you start writing a business plan you need to establish its purpose and who the target audience is. There are many reasons for a business plan, the most common being to obtain finance. However it could also be used to test if a new direction for your company is viable, or a review to identify current inefficiencies, or as a benchmarking measure for the future.

The types of business that would benefit from such a business plan include:

- 1) A new company
- 2) A company encountering issues or entering an expansion period
- 3) A business seeking new opportunities
- 4) A business either obtaining finance or preparing for sale

## Plan Structure

A business plan should be professional, concise and reasonably short.

An important element of a plan is to not ignore potential weaknesses, as these may be obvious to a reader and your plan would lose credibility if omitted. A weakness can be seen as a strength or opportunity if explained in a positive way.

Below is a general suggested set of headings for your business plan. These will have to be tailored to suit your particular business and your plans purpose.

### 1) Executive Summary

- This provides an overall outline of the plan. It should almost be used as a stand alone document, and should avoid technical jargon.
- This section should be prepared last, but put it at the front as many readers want to read this section for the overview and then only turn to the sections of interest in the report.
- Summarise your business, giving a brief trading history, explain the products or services you offer, and how the business is run including ownership and management structures.
- Summarise the results of your forecasts (for the next 1 year, 2 to 5 years and 5 years plus)
- If the purpose of the plan is to obtain finance, clearly identify the finance required, how it will be used, how it will be repaid and what you can offer as a return on the investment

### 2) About your Business

- This section explains your business in more detail. You should explain the background of the business.
- You should clearly explain why your business is unique and the benefits of your products or services.
- Summarise key personnel and their experience and qualifications, and divulge the ownership structure.

### 3) Market Analysis

- Analyse your markets including how they are changing and who your competitors are
- Look in to purchasing habits and also disclose pipeline customers
- Perform a full SWOT analysis (Strengths, Weaknesses, Opportunities and Threats)

### 4) Management and Owners

- It is important to demonstrate that the business has a good support structure. If applicable, describe the group structure and how the businesses interact with each other.
- If a start up, demonstrate past experience of the key individuals involved

### 5) Your Operations

- This section explains the day to day operational capacity of your business.
- Highlight any opportunities to utilise spare capacity
- Demonstrate you can handle any forecast increases in operations
- Also analyse your current supply chain and identify potential improvements

### 6) Marketing Approach

- This section is very important as it indicates how successful the business is at present and it helps to indicate how it will continue to develop in the future.
- Identify your position within the market, your target market, your brand, your marketing mix, and what your marketing and advertising strategy is going forward
- If you are a start up, you need to evidence that you know how to sell your chosen products or services to your chosen markets
- Analyse each of your products or services, indicating the profitability of each and the scope for developments
- Discuss your products, distribution, promotional and pricing strategies

### 7) Financial Information and requirements

- This is a key part of your plan, and must reflect every other section of your plan.
- You should set the forecast at an ambitious but realistic and achievable level, and should include a risk assessment, detailing all forecast assumptions
- Include sale predictions, allowing for price variations
- Flex the forecasts, with sensitivity analysis
- Create a 1 year, 2 to 5 year and over 5 year forecast
- Finally, but importantly, explain what funding you need and when. Detail how you will use the funds and suggest a repayment plan

### 8) Appendices

- Finally, include detailed monthly cash flows, historic accounts, Key personnel CVs, market research, product technical data and any other potentially relevant additional information as an appendix to the business plan

